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## **Canada**

### **Grain and Feed**

# **Canadian Reaction to U.S. WTO Dispute Settlement Case Against Canadian Wheat Board 2002**

Approved by:

**Gary C. Groves**

**U.S. Embassy**

Prepared by:

Matthew A. Cahoon

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#### **Report Highlights:**

The CWB's board of directors denounced the United States announcement that it will launch a dispute settlement case with the World Trade Organization (WTO). CWB minister Ralph Goodale said the challenge is part of an "ongoing pattern of trade harassment" against the CWB. The CWB intends to be actively involved in the defence of this case and will provide the Canadian government with all necessary assistance to refute the unfounded U.S. allegations. Goodale predicts Canada will win the WTO case because the CWB has successfully fended off previous challenges.

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## CANADIAN REACTION TO U.S. WTO DISPUTE SETTLEMENT CASE AGAINST THE CANADIAN WHEAT BOARD

According to a December 17 news release from the Canadian Wheat Board (CWB) The CWB's board of directors denounced the United States announcement that it will launch a dispute settlement case with the World Trade Organization (WTO).

"This is absolutely preposterous. We are fair traders, we are playing by all the international trading rules, yet the United States will not give up," said Larry Hill, chair of the CWB board of directors' trade committee. "It's the same old story -- if you are a successful global competitor, the Americans cry foul."

According to the news release, the U.S. Government (USG) has requested consultations with the Canadian government over the wheat trading practices of the CWB. The CWB intends to be actively involved in the defence of this case and will provide the Canadian government with all necessary assistance to refute the unfounded U.S. allegations. Canada has 30 days to respond to the consultation request.

The CWB says that entities such as the CWB are explicitly allowed under international trade law if they operate according to commercial business practices. The USG case raises objections to this fact and also takes issue with the Canadian grain segregation and rail transportation systems, calling them "impediments" to U.S. wheat entering Canada.

"These are ridiculous accusations," Hill said. "These systems help make Canadian grain quality and supply among the best in the world. Once again, the Americans are trying to drag us down to their level. They are simply pulling out all the stops in their attempts to limit the success of our international wheat sales."

Reaction to the move by the USG from the Canadian federal minister responsible for the CWB, Ralph Goodale, was picked up by a December 17, 2002 article from the *Globe and Mail*. In it, Goodale said the challenge is part of an "ongoing pattern of trade harassment" against the grain-selling body by the United States that will fail, as earlier attacks have. Mr. Goodale said Canada won't "roll over and play dead" when defending itself against a challenge from its largest trading partner. "While we respect and value and work very hard to maintain and improve the [Canada-U.S.] relationship over all, that does not mean that we're pansies or pantywaists when it comes to defending our interests on these problematic files, especially in relation to wheat - when we know we're right."

The Canadian minister said the United States is scapegoating the CWB to deflect attention from Washington's move to significantly boost farm subsidies earlier this year. "Rather than saying the factual thing ... that American and European subsidies are screwing up the world's grain markets ... it is far easier and far more politically convenient to have an international bogeyman to blame."

The *Globe* article further noted that the WTO challenge represents the first time the United States has brought the CWB before the international trade body. Goodale predicts Canada will win the

WTO case because the CWB has successfully fended off challenges in other arenas many times already. "Depending on how you count it up, this is either the 10th or the 11th challenge [and] Canada has won all of them before." Under WTO rules, Canada has 30 days to settle the dispute through negotiations. If that fails, the United States can ask the WTO to form a dispute settlement panel.

The CWB called the WTO challenge a U.S. ploy to restrict rivals. "They are trying to eliminate a competitor," CWB director Larry Hill said. Mr. Goodale said large international agriculture companies have a bigger impact on the market than the CWB does. "You could compare the relative market position of the wheat board to any number of multinational grain companies and conclude that they actually have a larger distorting effect ... or a greater influential effect in the marketplace."

The December 18 edition of the Regina (Saskatchewan) *Leader-Post*, citing a *Canadian Press* article, reported that CWB minister Goodale said that the United States has as much chance of winning its latest trade challenge of the Canadian Wheat Board as it did the last 10 times it did and lost. "We've had lots of practice," Goodale said from Ottawa. "They have launched these proceedings in the past based on the same allegations, the same complaints. We have always been able to successfully defend ourselves in the past and we will once again." Goodale noted the United States is also challenging the Canadian system of segregating grain as an impediment to American grain exports into Canada. "That's Canadian quality control, we have very high standards," he said. "Their system quite frankly is quite sloppy." He said if the United States could get free access to the Canadian system, they might contaminate it with lower-quality grain, undermining Canada's reputation on international markets. "Those are concepts that go to the root of why our Canadian quality is better than theirs and we can guarantee it to our customers and they can't and that's why we have a marketing advantage."

In a December 18, 2002 *National Post* article, quoted CWB officials who insisted that they have done nothing wrong and will successfully win the latest challenge. "It is a serious threat, but I don't think there's any actual basis in fact for it," said Larry Hill. "I am confident that a fair and impartial court would look at what the wheat board does and find that the wheat board is acting commercially."

The *Post* article continued with a response from the Canadian Department of Foreign Affairs and International Trade; "We are ready to take on this challenge," added Sebastien Theberge, a spokesman for Canadian Trade Minister Pierre Pettigrew. "The WTO allows state trading enterprises such as the Canadian Wheat Board. The Canadian way may be different, but it respects international trade rules." But David Anderson, official Opposition critic for the CWB, complained the Liberal government is failing to take seriously the latest challenge. "The Canadian government and the Wheat Board are sleepwalking here," he said. "They're giving farmers a false sense of security." Mr. Hill insisted the United States has little chance of winning and that the wheat board is a legal entity under the WTO that trades on a commercial basis.

In a December 17, 2002 *Canadian Press* article, Larry Hill, chair of the CWB ad-hoc trade committee, says they're willing to talk to U.S. officials but not to surrender a monopoly over western wheat and barley exports that is one irritant to the Americans. "That's our decision as

Canadian farmers, to maintain the single desk or not," said Hill, from Saskatchewan. He pointed to recent elections for the board of directors served as a kind of referendum on that issue, with four out of the five elected running on promises to maintain the single-desk system. "The Americans clearly recognize that the CWB is capturing a significant share of the world grain market and it should on behalf of Canadian farmers. We wouldn't want to be giving up that ability."

The *CP* article continues saying that not all Canadian farmers support maintaining the monopoly. The Western Canadian Wheat Growers Association (WCWGA) has been pushing for years to make dealing with the wheat board strictly optional. WCWGA president Art Enns said they continue to believe that is the best way to serve western farmers, although Enns deplored the fact that the issue has to go before an international trade tribunal. "This is a problem we should be solving within Canada itself and it's unfortunate it has to be taken to this level," he said Tuesday from his Manitoba farm. Goodale, quoted in the article, said, "(This) is an international process rather than an in-house American process and quite frankly that will probably work to Canada's advantage." Goodale said the Americans have already made one mistake. "Canadian rail subsidies do not apply in relation to grain movement to the United States so they're just factually wrong."

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